

Message Text

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SUBJECT: NATIONAL DEVELOPMENT BANK SCHANDAL

BEGIN LOU: SUMMARY. COURT PROCESS HAS BEEN UNSUCCESSFULLY PURSUED AGAINST ONE FORMER GOH OFFICIAL IN CONNECTION WITH A NATIONAL DEVELOPMENT BANK (BNF) SCANDAL IN GRAIN SALES. EFFECTS ON AID PROGRAMS. INADEQUACY OF LAWS CONTROLLING GOH OFFICIALS. END LOU.

BEGIN UNCLASSIFIED. 1. IN FEBRUARY 1976 EIGHT INDIVIDUALS WERE ARRESTED ON CHARGES OF CRIMES OF MISAPPLICATION OF PUBLIC FUNDS AND PRICE MANIPULATION OF BASIC GRAINS. THESE EIGHT INCLUDED FOUR FORMER BNF EMPLOYEES AND FOUR PRIVATE SECTOR INDIVIDUALS. THE SCANDAL BROKE IN OCTOBER 1975 AND RESULTED IN IMMEDIATE RELEASE FROM DUTY OF A NUMBER OF BNF OFFICIALS AND, SUBSEQUENTLY, PLANS FOR REORGANIZATION OF THE INSTITUTION. ON APRIL 7, 1976 CHARGES WERE FILED IN THE FIRST CRIMINAL COURT OF TEGUCIGALPA BY BNF ATTORNEYS AGAINST ABRAHAM BENNATON, FORMER MINECON; GUILLERMO MEDINA SANTOS, FORMER PRESIDENT OF BNF, GUSTAVO LARA, FORMER DEVELOPMENT MANAGER OF BNF; AND RAUL EDGARDO ESCOTO, FORMER MINISTER OF NATURAL RESOURCES, ACCUSING THEM OF COMMITTING VARIOUS CRIMES AGAINST THE NATIONAL ECONOMY. PRESS ACCOUNTS STATE THAT THE CHARGES STEM FROM INFORMATION GATHERED BY THE BNF

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LAWYERS IN COSTA RICA. THE NATIONAL PRODUCTION COUNCIL AND

OTHER UNNAMED ENTITIES OF THE GOCR WERE REPORTED TO BE THE SOURCES OF THE LATEST INFORMATION REGARDING THE SCANDAL. THE FILING OF THOSE CHARGES BROUGHT THE NUMBER OF PERSONS ACCUSED OF WRONGDOING IN THE BASIC GRAINS SCANDAL TO TWELVE.

2. ON APRIL 23, 1976 BENNATON VOLUNTARILY PRESENTED HIMSELF AT THE NATIONAL PENITENTIARY TO SERVE THE REQUIRED SIX DAYS OF IMPRISONMENT IN ORDER THAT HIS PROSECUTORS COULD PRESENT EVIDENCE OF THE CHARGES AGAINST HIM. ACCORDING TO BENNATON'S LAWYER, JORGE ALBERTO BURGOS, THE BNF LAWYERS DO NOT HAVE SUFFICIENT EVIDENCE TO ISSUE AND ARREST WARRANT AGAINST THOSE ACCUSED OF BEING IMPLICATED IN THE BASIC GRAINS SCANDAL. MR. BURGOS FURTHER STATED THAT THE CASE HAD BEEN IRRESPONSIBLY HANDLED BY THE BNF WITHOUT FUNDAMENTAL BASIS TO SUPPORT THE ACCUSATIONS. HE ALSO ADDED THAT HIS CLIENT WOULD SUE THE BNF FOR DAMAGES IN ORDER TO SET A PRECEDENT IN THIS COUNTRY SINCE A STAGE OF DISILLUSION AND IRRESPONSIBILITY HAD BEEN REACHED; THE PUBLIC OFFICE HAS BEEN DISCREDITED AND NO REPUTABLE PERSON WOULD ACCEPT IT BECAUSE ANYBODY WHO DISLIKES THE PUBLIC OFFICIAL COULD ACCUSE HIM OF ILLEGAL EXERCISE OF PUBLIC OFFICE.

3. MR. BENNATON WAS FREED APRIL 28 AFTER THE JUDGE OF THE FIRST CRIMINAL COURT OF TEGUCIGALPA DECREED A DEFINITE DISMISSAL OF LEGAL PROCEEDINGS FOR LACK OF SUFFICIENT EVIDENCE OF CRIMES.

4. THE LAWYERS OF MEDINA SANTOS, GUSTAVO LARA AND RAUL EDGARDO ESCOTO HAVE MADE SIMILAR STATEMENTS IN THAT THE BNF DOES NOT HAVE SUFFICIENT EVIDENCE TO ACCUSE THEIR DEFENDANTS, AND THAT THEY WILL ALSO BE RELEASED OF ALL CHARGES AGAINST THEM. THEY ALSO ADDED THAT THE BNF COULD BE SUED FOR DAMAGES AGAINST THEIR REPUTATION. END UNCLASSIFIED.

BEGIN LOU. COMMENT. 1. THE BNF IS AN ESSENTIAL OPERATING ELEMENT OF SEVERAL AID PROGRAMS AND THE SCANDAL FOR A NUMBER OF MONTHS FORCED THEIR SUSPENSION. MAJOR AID PROGRAM ELEMENTS HAVE RESUMED OPERATION UNDER A NEW BNF LIMITED OFFICIAL USE

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ADMINISTRATION.

2. IT MAY BE THAT MR. BENNATON, THE HERALDED STAR OF THE BANANA BRIBERY SCANDAL, MAY BE SUBJECT TO CONTINUING ACCUSATIONS FROM HIS PEERS, IF ONLY TO PREVENT HIS REHABILITATION.

3. FINALLY, IT APPEARS THAT HONDURAN LAW, OR ITS

ENFORCEMENT, IS NOT WELL ADAPTED TO PLACING CLEAR LIMITS
ON THE ACTIVITIES OF GOVERNMENT OFFICIALS, OR IN
SUCCESSFUL PROSECUTION WHEN THEY ARE CAUGHT WITH A
HAND IN THE COOKIE JAR.
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